

Dorr Township Library Fund
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dorr Township Library

We have audited the accompanying financial statements of Dorr Township Library Fund, a special revenue fund of the Township of Dorr, Michigan, as of and for the year ended March 31, 2008, as listed in the contents. These financial statements are the responsibility of Township of Dorr management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the operations of Dorr Township Library Fund and are not intended to present fairly the financial position and results of operations of the Township of Dorr, Michigan, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dorr Township Library Fund as of March 31, 2008, and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

Siegfried Crandall P.C.

July 31, 2008



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FINANCIAL STATEMENTS

Dorr Township Library Fund

BALANCE SHEET

March 31, 2008

ASSETS

Cash	\$ 87,442
Due from other governmental units	<u>6,472</u>
Total assets	<u>\$ 93,914</u>

LIABILITIES AND FUND BALANCE

Payroll liabilities	\$ 929
Fund balance - unrestricted, undesignated	<u>92,985</u>
Total liabilities and fund balance	<u>\$ 93,914</u>

See notes to financial statements

Dorr Township Library Fund**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants - state aid	\$ 5,221	\$ 5,221	\$ 4,725	\$ (496)
Charges for services	-	-	2,389	2,389
Fines and forfeitures:				
Penal fines	44,816	44,816	36,403	(8,413)
Other fines	-	-	5,227	5,227
Total fines and forfeitures	44,816	44,816	41,630	(3,186)
Interest	550	550	803	253
Other:				
Refunds and reimbursements	-	-	301	301
Contributions and grants	-	-	495	495
Miscellaneous	11,575	11,575	2,023	(9,552)
Total other	11,575	11,575	2,819	(8,756)
Total revenues	62,162	62,162	52,366	(9,796)
EXPENDITURES				
Recreation and cultural:				
Payroll	84,800	84,800	83,630	1,170
Book purchases	14,000	14,000	12,781	1,219
Audio-visual materials	4,000	4,000	3,267	733
Periodicals	2,200	2,200	1,536	664
Collection and office supplies	3,300	3,300	3,525	(225)
Professional and contracted services	10,000	10,000	10,420	(420)
Community promotions	2,949	2,949	2,511	438
Education and training	1,000	1,000	368	632
Insurance	100	100	100	-
Communications	2,100	2,100	1,357	743

See notes to financial statements

Dorr Township Library Fund**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (Continued)**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and cultural (continued):				
Maintenance and services	\$ 2,700	\$ 2,700	\$ 2,377	\$ 323
Electronic access	16,000	16,000	13,058	2,942
Transportation	800	800	492	308
Miscellaneous	<u>1,100</u>	<u>1,100</u>	<u>1,102</u>	<u>(2)</u>
Total recreation and cultural	145,049	145,049	136,524	8,525
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>5,561</u>	<u>(561)</u>
Total expenditures	<u>150,049</u>	<u>150,049</u>	<u>142,085</u>	<u>7,964</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(87,887)	(87,887)	(89,719)	(1,832)
OTHER FINANCING SOURCES				
Transfer from General Fund	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	(7,887)	(7,887)	(9,719)	(1,832)
FUND BALANCE - BEGINNING	<u>102,704</u>	<u>102,704</u>	<u>102,704</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 94,817</u>	<u>\$ 94,817</u>	<u>\$ 92,985</u>	<u>\$ (1,832)</u>

See notes to financial statements

Dorr Township Library Fund
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Dorrr Township Library Fund conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant accounting policies:

a) Reporting entity:

These financial statements include only Dorrr Township Library Fund (the Library), a special revenue fund of the Township of Dorrr, Michigan, and, as such, are not intended to present fairly the financial position and results of operations of the Township of Dorrr, Michigan, in conformity with generally accepted accounting principles.

The basic financial statements of the Township of Dorrr, Michigan, are available at the Township offices.

b) Basis of accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available to finance expenditures of the fiscal period and is considered fully collectible.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

c) Budgets and budgetary accounting:

The Library follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

The Library's budget has been adopted at the line-item level and is on a basis consistent with generally accepted accounting principles.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function and line item. The legal level of budgetary control adopted by the governing body is the line item level. All annual appropriations lapse at the end of the fiscal year. There were no significant budget variations.

Dorr Township Library Fund
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

Cash, as presented in the accompanying financial statements consists of deposits with financial institutions.

Deposits with financial institutions - State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Library's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of March 31, 2008, none of the Library's bank balances of \$92,632 was exposed to custodial credit risk, because it was insured.

The Library evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RISK MANAGEMENT:

The Library is exposed to various risks of losses for claims arising from general liability, wrongful acts, professional liability, property damage and destruction, crime, accidents, and injuries. Risks of losses arising from possible claims are managed through the purchase of commercial insurance.

For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

July 31, 2008

To the Board of Trustees
Dorr Township Library

We have audited the financial statements of the Dorr Township Library Fund for the year ended March 31, 2008, and have issued our report thereon dated July 31, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 18, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Dorr Township Library Fund are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Dorr Township Library Fund during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

There were no significant estimates required for the preparation of the Library Fund's financial statements.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Dorr Township Library Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Dorr Township Library Fund as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Dorr's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The limited number of Library staff results in limited segregation of duties in the areas of cash receipting, disbursements, and payroll. The Township and Library have determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Dorr, the Trustees of the Dorr Township Library, and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall A.C.